

# Speech: CDU Economic Council Annual Conference: Chancellor's words

It is an honour to speak at the annual gathering of The Economic Council of the CDU which for 54 years has promoted a social market economy based on the values and ideas of Ludwig Erhard.

Erhard said, "Ein Kompromiß, ist die Kunst, einen Kuchen so zu teilen, daß jeder meint, er habe das größte Stück bekommen."

[Translation: "a compromise is the art of dividing a cake in such a way that everyone believes he has the biggest piece."]

Wise words with some applicability to the Brexit negotiations although I try to discourage talk of "cake" amongst my colleagues.

For if we get the negotiations between the UK and the European Union right and reach a deal that protects jobs, business, and prosperity across the continent of Europe by maintaining trade flows, and avoiding dangerous cliff edges, then we can maximise the size of the cake and each enjoy a bigger piece.

Erhard also said "Without Britain, Europe would remain only a torso" and that is also pertinent to my message that while Britain may be leaving the political structures of the European Union we are not leaving Europe.

And I believe Britain and the EU still have much to offer each other in a future as partners.

## **Global Context**

So we will seek to forge a new relationship between the European Union and the United Kingdom based on our shared history and shared values in order that we can continue to tackle the common challenges that our continent faces.

And of course these go far beyond the narrow focus of Brexit.

With questions over Europe's future security, an emboldened Russia, the evolving threat of terrorism that has tragically affected us all in recent times, climate change or the challenge of irregular migration, which could re-emerge at any time, on a scale that could again threaten to destabilise our societies.

And challenges facing us in Europe are set in the context of a mixed outlook for the global economy.

The signals are that global growth, including in Europe, is recovering but risks clearly remain.

A slowing Chinese economy, with an unwinding credit boom, a weaker outlook in Latin America and the Middle East and growing sentiment in the developed economies that questions the conventional wisdom of free trade and globalisation and perhaps of market economics and sound money.

As policymakers, we have to recognise and respond to, this growing anxiety amongst some of our citizens about the pace of change in the economy.

It is clear to me that our policy response must be to complement our efforts to boost overall growth with policies that ensure that the benefits of growth are felt more widely in our societies.

For instance, in Britain, we are following Germany's clear example and investing in an overhaul of our technical education system to give more of our young people the skills to succeed, and to raise our productive potential. All of us in the advanced economies have benefited from globalisation and free trade.

But ordinary working families do not always feel they have shared in the benefits.

Much of the thrust of globalisation has focused on the removal of barriers to trade in goods.

But the UK economy is 80% services the Eurozone is 73% services.

And this means that our economies have not necessarily reaped the full benefits in those sectors where many of us have our greatest competitive strength.

So we should work together in the G20 and other multilateral fora to lead a global push for the liberalisation of services trade.

And we should employ the same logic in our efforts to agree a bold and ambitious free-trade agreement between the UK and the EU that covers both goods and services.

## **Brexit**

I campaigned and voted for Britain to remain in the EU.

But I am a democrat and I accept the decision of the British people.

My whole focus now is seeking to ensure that we maintain a close and mutually beneficial relationship between the EU and a UK which is outside the EU.

The truth is, Britain has never been signed up to deep political integration with the European Union – our different histories have perhaps led us to a different concept of the role of the European Union.

But despite that, we are like-minded in so many ways, and have shared values and a shared view of the world – our economy is firmly in the European mainstream, and it is our ardent wish to be able to keep it anchored there.

Last Thursday, marked a year since the British people voted to leave the European Union.

They voted to be outside of the EU's political structures but not to turn their backs on Europe.

They voted to regain control of our borders, not to shut down the flow of people that are the lifeblood of our economy, but to be able to manage it.

They decided that the European Union and its plans for further integration were not for them but we wish our neighbours well as they take that project forward – clear that it is in Britain's interest that the EU should be a successful, growing, bloc, with a strong currency and a confident outlook on the world.

And there is every reason why Europe should feel confident.

Economies across Europe are recovering – Eurozone growth is at a two year high, unemployment is at its lowest since 2009 and recent elections have not seen a breakthrough from populist parties, of left or right, as many had predicted just a year ago.

But we should not be complacent about the risks ahead, our economies are not so strong that they can afford to be exposed unnecessarily to economic and financial stability risks and, in particular, the risks surrounding the outcome of our negotiations for Britain's departure from the European Union.

People in this room will understand the importance of reaching an outcome that supports our shared prosperity – for it was Britain and Germany's economies that powered Europe out of the financial crisis – between us we have been responsible for over half of all economic growth in the EU since 2010 and created more than three-quarters of all new jobs.

Our economies were the two fastest growing in the G7 last year – you pipped us to the post in Q4 – although beating us through the rounding of the growth rate is a bit like beating us in the World Cup on penalties!

And it is my hope that the economic partnership and longstanding friendship between our two countries – that has helped bring about peace, security, and prosperity on this continent for over seventy years – can be mobilised to support our common goal of a deep, special, and mutually beneficial partnership between the EU and the UK. But the risk of a bad outcome that does not promote jobs, growth, and prosperity is a real one.

Not just for the UK economy...but for the EU economy.

The UK represents almost 13 percent of the population of the EU and 16 percent of its GDP.

That's a significant part of the European marketplace.

And it is clear to me that ensuring that businesses can continue to operate across that whole marketplace after Brexit is essential to securing

prosperity and growth on both sides of the channel and indeed both sides of the Irish border.

## **Risks**

For me, there are two key risks that threaten this future.

The first is an outcome risk: that somehow we allow petty politics to interfere with economic logic, and we end up with a suboptimal solution that fails to maximise our mutual benefit.

The second is a process risk: that we cannot agree, at an appropriate stage, transitional arrangements to get to the new relationship without damaging business confidence and disrupting cross-border trade and investment along the way.

In other words the risk of a “cliff-edge”.

So how can we avoid these risks?

By focusing relentlessly on the key deliverables:

First, the future partnership must allow continued trade in goods and services to allow the complex supply chains and business relationships that crisscross our continent to continue to deliver value because businesses across Europe rely on free trade and all our citizens rely on the benefits of this free trade –greater choice, lower prices, and more jobs.

Second, we in the UK acknowledge that, as Britain moves out of the jurisdiction of EU law, there will be genuine and reasonable concerns among our EU colleagues, about things like the oversight and supervision of cross-border financial markets.

There are good examples of cross-border collaboration on Financial Services supervision around the world. We will engage, in a spirit of sincere cooperation, with all genuine concerns expressed by our EU neighbours to agree a cooperative supervisory structure based on international best practice.

Third, the outcome must protect citizens’ rights – both EU citizens in the UK and British citizens in the EU.

Last week the Prime Minister set out our offer to the 3 million plus EU citizens living in the UK – offering full rights and access on the same terms as British citizens to those who have lived in the UK for five years or who have arrived more recently and are going to stay – and I hope we can get the same certainty for the more than one million UK citizens who are living in the European Union.

And fourth, as we move, hopefully, to a long-term partnership, based on comprehensive free trade in goods and services and a customs agreement that minimises friction at the border, we do so via a transition that protects the free-flow of trade across our borders and the integrity of pan-European

supply chains.

So it means reaching a shared understanding, as early as possible, on what the future relationship should look like and how we get there.

Because businesses and citizens in the UK and across the EU need to know the shape of that future relationship; They need to have confidence there will be a smooth and orderly path to the new arrangements rather than a disruptive and dangerous cliff edge.

Whether it is the British importer renewing a contract with a French component supplier, the German car exporter investing in its UK distribution network, the Dutch grower who is making a contract with a British supermarket chain or the Italian electricity company hedging its exposures through London's financial markets, they all need certainty, well ahead of time, that they won't have tariffs suddenly imposed on them, part-way through their contracts or that their shipments won't face customs delays and bureaucratic costs or that the enforceability of their contracts will not be called into question.

Early agreement on these transitional arrangements so that trade between our countries can carry on flowing smoothly will reduce uncertainty, unlock investment decisions, instil business confidence and protect jobs and prosperity, in Britain, in Germany and across this continent.

Last week we began the formal process of negotiating our exit from the European Union and we will progress them in a spirit of sincere cooperation.

We cannot dwell on the past, on what might have been.

We must focus on the future on the opportunities that lie ahead for all of us.

On the prize of an open, tolerant and free-trading world order while mindful of the risks, to both sides, of not reaching a good outcome.

I am confident that with the political will to run with the economic logic we will reach an arrangement that puts jobs and prosperity first, that keeps our markets for goods and services and capital open, that achieves early agreement on transitional arrangements and delivers an outcome that increases the size of the cake for all.

Because in the end, the question is not whether to have cake, or eat it or even who has the largest slice, the question that matters is whether we can be smart enough to work out how to continue collaborating together, to keep the cake expanding, for the benefit of all.

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## News story: Traffic officers rescue family swanning around on M20

A couple of swans and their six cygnets were spotted wandering the hard shoulder of the M20 near junction 4, with the A228 at Larkfield in Kent, likely trying to get to the lake on the far side.

Traffic officers Nick Sivell and Roy Roberts, assisted by their colleagues Lee Turner and Mike Peterson, along with RSPCA animal collection officer Emma Byrne, flew into action to help the family get to safety after they were alerted to the birds' blunder by Kent Police.

The swans made a break for freedom but faced a perilous situation as they looked to wing it up the junction 4 exit slip road for London.

The traffic officers swiftly stopped drivers on the slip road and motorway to avoid an accident, while the RSPCA's Emma Byrne was able to scoop up the birds before they could waddle into any more woe. Those involved managed to ensure the swan family stayed to-feather and were successfully relocated to nearby Leybourne Lakes.

Traffic officer Nick Sivell said:

This is a hugely varied job and you come across all manner of different issues. Although they are usually to do with drivers, sometimes we face challenges like this involving animals.

It was certainly interesting having to help chaperone the swan family to safety, and I want to thank my colleagues and partners involved to ensure we could resolve this swiftly and successfully. We're not too sure what they were doing, and think they may have been trying to get to the lake because they were feeling peckish. Hopefully if the birds decide they need to cross a busy road in the future, they'll cygnal properly and use the flyover next time.

RSPCA animal collection officer, Emma Byrne, said:

I'd like to say a big thank you to Highways England for assisting with this rescue. As the swans were on a busy motorway I wouldn't have been able to reach them without their assistance. Luckily, Highways England was able to stop traffic so that we could reach the family of swans.

The male had some wire round his leg which I removed but apart from this they were all in a good condition. We have no idea how or why they ended up on the London-bound carriageway of the M20 but I'm so glad that this story had a happy ending and after being checked

over I was able to release them at an appropriate site.

For the latest information on these works including closures and diversions details, follow us on Twitter – @HighwaysSEAST.

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## **Press release: New Chief Scientific Advisor appointed by the MMO**

Professor Selina Stead of Newcastle University has been appointed Chief Scientific Advisor (CSA) to the Marine Management Organisation (MMO) it has been announced.

Prof. Stead is [Dean, Public Orator and Professor of Marine Governance and Environmental Sciences at Newcastle University](#) and has held a number of senior marine-related appointments.

She joins the MMO with a wealth of skills and experience having worked on developing innovative marine policy programmes underpinned by interdisciplinary statistical evidence. In her work at Newcastle University she combines natural and social science methods and leads international teams to tackle complex problems such as poverty in coastal areas and marine food insecurity.

Her current and recent research spans marine science and governance of coral reef ecosystems; fisheries management and piracy in East Africa, Oman, Somalia and the UK; sea cucumber biology in South Africa; seaweed aquaculture in Malaysia; community based management in Nigeria, and; marine governance of Small Island Developing States in the Caribbean, Southeast Asia, South Pacific, and the western Indian Ocean.

The post is part-time and Prof. Stead will continue working independently in her outside career to encourage sharing of the latest thinking and learning in marine science, subject to the usual conflict of interest criteria.

Professor Selina Stead, Chief Scientific Advisor to the MMO, said:

I have my dream job as a marine biologist. I have a passionate belief that seas and oceans should be accessible to all.

My career aims are to improve how and why decisions are made for sustainable marine resource management. I look forward to progressing these with the MMO.

John Tuckett, Chief Executive of the MMO, said:

I'm pleased to welcome Professor Stead to the MMO. Her wealth of knowledge and experience will be of great benefit to our ambitions for the future of marine management in UK waters and beyond.

This appointment also represents our commitment to further strengthening our links with the marine science and academic community.

Professor Stead takes up post in June 2017, succeeding Stuart Rogers, Chief Scientist and Executive Director of the Centre for Environment, Fisheries and Aquaculture Science (Cefas), who fulfilled the role from Spring 2016.

More details about Selina's background and experience are available on [the MMO's website](#).

The MMO is a non-departmental public body. It licences, regulates and plans marine activities in the seas around England so that they're carried out in a sustainable way. The MMO is required by the [Marine and Coastal Access Act 2009](#) to appoint a CSA.

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## [News story: Parents urged to check prom limo hire is safe and legal](#)

Hiring a vehicle and driver that hasn't been properly vetted and licensed could put your child and their friends at risk. The driver may not have had a criminal record check or the vehicle may not be roadworthy.

In the last 6 years, DVSA has impounded 31 unsafe limos and crushed 20.

### **Checks to carry out when hiring a limo**

You can carry out simple checks to make sure that the limo you book is safe and legal. The checks you need to do depend on how many passenger seats the limo has.

Companies hiring out a limo with 9 passenger seats or more must have a [public service vehicle \(PSV\) operator licence](#).

You can [check if they have an operator licence](#) online.

If they don't have one, they're operating illegally. [Report this to DVSA](#) and they can investigate the company.



# **Taking action against companies operating illegally**

DVSA can take limos being used by companies without a licence off the road to prevent them from operating unlawfully.

DVSA enforcement officers can also stop companies with licences from operating if they find:

- serious mechanical defects on the limo
- the driver has driven more than the number of hours they're allowed to without proper breaks

DVSA also regularly carries out joint operations with the police who can seize a vehicle if it's not properly licensed and insured.

## **Protecting you from unsafe drivers and vehicles**

DVSA Chief Executive, Gareth Llewellyn, said:

DVSA is committed to protecting you from unsafe drivers and vehicles. We know parents want to keep their children safe but rogue limousine operators working outside of the law are putting them at risk.

We will not hesitate to take action against cowboy operators who risk the lives of young people and other road users. This could include seizing limousines and referring operators to the traffic commissioners, who have the power to take away their licence.

Senior Traffic Commissioner for Great Britain, Richard Turfitt, said:

Unlicensed operators are not insured to carry passengers. There are good, responsible limousine operators in the industry but those who don't have a licence to operate are likely to be running vehicles with defects that are potentially dangerous.

That is why traffic commissioners fully support DVSA's advice to parents to be aware of the dangers posed by unsafe limousines and check on GOV.UK whether the operator they plan to use is properly licensed.

National Limousine and Chauffeur Association Legislation Officer, Bill Bowling, said:

The safety of your passengers is paramount to us and we ask that parents ensure that the company they use is properly licensed and insured.

Many people are being taken to their prom in unlicensed and therefore uninsured wedding cars or novelty vehicles.

Our members are all properly vetted and licensed and are there to ensure the safety of your family and friends.

Be safe, not sorry.

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## Speech: Economic Secretary's speech to the Association of British Insurers

### **Introduction**

It is a pleasure to be making my first speech as City Minister here at the ABI.

Yesterday, a confidence and supply motion was agreed between the government and the Democratic Unionists. Taking into account the Sinn Fein MPs who do not take their seats, that gives the government a working majority of 13, once the deputy speakers are elected.

Understanding the implications for policy of parliamentary numbers in both the Commons and the Lords is an area in which I have experience as my previous government role was as The Treasury Whip.

It was my responsibility to get the government's economic and finance policies through Parliament and so I am already familiar with much that is important to you. I hope to use that experience to help frame our discussions.

Prior to becoming an MP, I worked in both the insurance and banking sectors, and at the City regulator. I plan to bring that industry focus to bear in discussions within Whitehall and beyond.

I know that my job will involve a great deal of listening to your concerns, and indeed your ideas for growth and investment. But it will also be about showing you that we're acting on what you tell us. And today I intend to show you a number of areas where, in my first two weeks in post, we've already done so.

Because everyone in this room knows how important financial services and in particular insurance, is to our economy:

- 112,000 directly employed in insurance, double that if you include those indirectly employed
- £35 billion contributed to the UK economy

- £12 billion of taxes paid

## **The government's priorities for financial services**

This was why a week ago at [Mansion House](#) the Chancellor set out further details of the government's priorities for financial services as we engage in our negotiations with the EU.

He spoke about access to talent; trade; regulation and reciprocity; and about the need for transitional arrangements.

### **Talent**

The City of London and our world leading financial services across the UK – and 2/3rds of those working in financial services are based outside London – have always been a magnet for global talent.

There are those who are suggesting that in voting to leave the EU, many were willing to put at risk the ability of firms to get the talent they need.

I believe that misunderstands my views and those of my parliamentary colleagues. It also misunderstands the views of the majority of my constituents, and millions of others, who voted to leave the EU.

The British people understand the importance of businesses being able to access global talent and to move individuals around their organisations.

The concerns on immigration expressed during last year's referendum were not about insurers bringing in the skills they need to keep their businesses at the cutting edge. Rather it focused on those who come, primarily to areas like my constituency, at a pace and scale not reflected in local services.

So, I believe the British people understand that while we should seek to manage migration, we should not seek to shut it down.

### **Trade**

In the case of trade, we want to agree a bold and ambitious free-trade agreement with our EU counterparts that covers both goods and services. Our economy is 80% services and insurance is a vital part of that – we sell £4 billion of insurance to people across the EU and over double that to EU businesses.

There are three essential components to a sustainable access agreement between the UK and EU for cross border trade in finance.

First, it requires an evidence-based, transparent system for setting the regulatory standards that apply to business – and those regulatory standards must themselves reflect international standards.

Second, cooperation arrangements between supervisors in each jurisdiction must be reciprocal, reliable, and prioritise financial stability.

Third, any system must be predictable and permanent so businesses and the markets are not troubled by the unexpected.

We are on a firm footing to achieve this. The Bank of England, the PRA and FCA are rightly respected around the world for the quality of their market oversight, their expertise and their willingness to lead on the setting of global standards. It is a role they will continue to play.

## **Transitional arrangements**

All of this requires that as well as the terms of the arrangements we finally make with the EU for our future trade, we have to consider our transition to those arrangements. Firms in this industry and elsewhere in the financial sector have been clear with us that we should seek to avoid disruption and uncertainty as we leave the EU.

And so the Chancellor made clear that early agreement on transitional arrangements is a priority – avoiding a dangerous cliff edge and ensuring instead that firms can get on with investment, and trade in services and goods can continue uninterrupted.

## **Beyond the negotiations**

But it's not all about the Brexit negotiations.

There are a lot of other ways in which we can work with British insurers to tackle existing problems, seize new opportunities, and compete with the very best in the business.

Our track record of working shows this.

Look at Flood Re, which we worked with you to design and ensure all homeowners have access to affordable flood insurance.

Look at how we have been tackling fraud and the excesses of compensation culture head on.

You will have seen whiplash reform in last week's [Queen's Speech](#), alongside our intention to transfer regulation of claims management companies to the FCA.

But I know there is more to do. Like all MPs I am concerned about my constituents having access to good insurance at the right price. In arranging car cover, that can be a particular issue for young and old drivers alike.

Many of these consumers, as well as many of the companies represented in this room, will have been affected by the change in the personal injury discount rate.

That concerns me, and I know it will concern many of colleagues in Parliament.

That is why the government has been consulting on how the rate can be set in

future in England and Wales. Scotland and Northern Ireland set their rate separately, which has an impact on the parliamentary arithmetic.

We are currently considering the responses to the consultation we've received and I would like to thank the industry for the constructive engagement on this issue.

We want to make sure that the way the rate is set is put on the firmest possible footing in future, so that we have a better and fairer system for claimants and defendants. In doing so, we will keep true to the 100% principle: that a claimant is paid no less than they should be, and no more.

In short, we have been consulting on moving away from a mechanism that has grown outdated and, with negative returns on interest-linked gilts, lost its connection with the way people invest in the real world.

## **Insurance Linked Securities**

The constructive engagement between industry and government which I've just mentioned has also been evident in the work over the last 18 months to design a whole new system for Insurance Linked Securities (ILS).

Up to now, without that kind of regulatory framework in place, London has been held back from becoming a leader in ILS, despite all the expertise we have to offer in the field of alternative risk transfer.

But this is about to change.

Yesterday I [wrote to the London Market Group](#) to confirm that I will shortly place regulations before Parliament to implement this new ILS framework and help London become global leaders in this field.

## **Going further**

But I want to see more advances like these – advances that are driven by a close and collaborative approach that spans both the government and the regulators and all of you in the industry itself.

There are clearly many more opportunities for us to pursue.

And I want us to keep developing and keep innovating.

One of the biggest areas of opportunity is clearly in InsurTech.

A lot of work has already been done to make sure we've got the right environment for FinTech and InsurTech to develop at pace – the FCA's innovation hub and regulatory sandbox are the most obvious examples of that, and it is welcome that four Insurance firms have already got involved in the next cohort of the Sandbox.

But where there's more to be done, I'm keen to look at that – particularly in terms of getting more investment into the InsurTech sector.

And there are lots of other areas we can look to develop too.

We'll want a regime that can keep pace with the development of new products, such as cyber insurance.

We'll want to look at whether Brexit gives us an opportunity to make changes to support the unique nature of the UK life insurance market.

We'll want to explore opportunities to deepen trade beyond the EU – particularly in the market for corporate and speciality insurance. It is these reasons that insurance continues to be one of the priority work streams of the Financial Services Trade and Investment Board.

And I want to thank the ABI for all the work they've done alongside Inga Beale [CEO of Lloyd's of London] in supporting our efforts to grow the market share of UK insurers in the high-growth economies of Asia and Latin America, and in attracting inward investment, both insurance capital and jobs, to the UK market.

So I know there are questions remaining about the political context and about Brexit. But there are opportunities too.

To take them, we need to keep the dialogue between industry and government open. That is my clear priority and I hope you will always work with me.

On my side, the work has already begun, including with the Chancellor to deliver a negotiated exit to the EU that delivers for Britain, its financial services and our vital insurance sector.

In doing so, we're recognising the importance of our financial services – that taken as a whole you contribute £71 billion to public funds, with insurance playing an important role within that.

That critical tax revenue must ensure that the insurance industry and the whole of financial services remain central to the discussions in Whitehall in the months ahead.